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Housing in a Covid-19 World

It is a season unlike any other. Much of our country is quarantined, our daily routines have been turned upside-down, and we are scrambling because of a pandemic that wasn't much in the news just 60 days ago.

Yes, this pandemic will end. When we do not know. At what human cost we do not know. At what economic cost we do not know. And at what social cost we do not know.

Covid-19 has forced lifestyle changes on us. While we are just now beginning to settle into this "new normal," we are still anxious for a quick return to the "old normal." But it is fair to ask if the "old normal" will still apply when we get through this.

For housing, a number of questions come to mind:

Can a pandemic change our thinking about how and where we build?

In California, discussions on building more housing in the state have in recent years focused on higher densities proximate to public transit. The thinking is that urban housing can help address a multitude of issues including affordability, emissions reductions resulting from less reliance on automobiles and more transit use, and reduced sprawl into wildfire zones, to name a few. As this pandemic surges, some are pointing to population density as a factor behind the spread of Covid-19. Andrew Cuomo, New York State's Governor, even conceded as much when he stated that "Our closeness makes us vulnerable." Yet in recent days many crowded places around the world have seen their virus numbers improve more so than in New York City. And some high-density cities, like San Francisco to name just one, are doing quite well in keeping the virus at bay altogether. The New York Times reported in late March that New York City's "suburban" borough, Staten Island, actually had the highest rate of infection compared to the densest borough, Manhattan.

Others posit that it is not as much an issue of density but rather one of crowding. Density is generally how many people live and work on how much land, or how much building space is in an area. Crowding is literally how close everyone is to each other at a given moment and place. You can have density without crowding, and you can have crowding without density. We've seen examples of each during this pandemic.

Perhaps just as important – if not more – is that there has to be an acknowledgement that some government leaders have been slower than others to grasp the seriousness of this pandemic and react. California was among the first states to issue "stay in place" directives, and data so far indicates new diagnoses here are not surging like it is in states that hedged.

In the end, it is too early to draw any conclusions about this, but it is an issue that will likely receive a lot of attention in the future. Senator Scott Wiener, who has authored major proposals – notably SB 50 – that would have forced local communities to build more housing near transit and employment centers, is certain that density-haters will invoke the coronavirus in the future. "Of course people will abuse the coronavirus pandemic for other political goals," Wiener said. "Some of the anti-housing activists, there's an undertone that it's somehow unhealthy to live in a dense urban environment. I'm confident they'll latch onto this."

It might also be interesting and important to address the disproportionate impact of the pandemic to people of color due in part to residential segregation in the U.S. Preliminary data in various cities (e.g. New York, Detroit, Los Angeles) have suggested that there are large racial disparities in COVID-19 infections and deaths. In St. Louis, for example, greater positive COVID-19 case counts are found in poorer and highly segregated zip codes.

How could this change where we build? More specifically, will government entities adjust existing policies/programs (e.g. zoning policy, Low-Income Housing Tax Credit program) to build more integrated communities that might be more resilient to disasters?

How is the market now, and what should we be looking for going forward?

According to the Southwest Riverside County Association of Realtors (SRCAR), pending sales, which historically jump 14% going into April, dropped 13% this year for a 27% negative spread. It is not anticipated that widespread foreclosures, such as what was experienced a decade ago during the Great Recession, will occur as this is not first and foremost an economic disaster which presaged that event. The Association also reports that lenders are tightening up qualifications by raising FICO qualifying scores and doing multiple employment verifications, actions that might contribute to a downturn. Looking forward, Lawrence Yun, the National Association of Realtors chief economist, indicated that the spring housing sales cycle, usually the strongest time of year for buyers and sellers, will be delayed but not canceled. Yun stated, "I do think that people… once the all-clear signal is given, will be going back in the market."

The housing market for the Inland Counties is among the nation's least-capable of withstanding coronavirus fallout, according to one study which graded 50 U.S. counties for their housing market's financial stability based on three metrics: affordability (share of local incomes needed to buy a home); equity (how many homeowners are "underwater" – where the mortgage is larger than the home's value); and payment-making abilities (foreclosure activity measured by filings as a share of homes, before coronavirus hit). In this study Riverside County was graded with the third-lowest stability of the 50 U.S. counties with the largest populations. Its $387,500 median selling price in the first quarter makes it the 11th worst in terms of affordability, with 61% of income required to buy. Owners with debt-levels rank No. 22 for underwater properties at 9.6% of all mortgaged homes. And payments were being missed ranking the County No. 11 for foreclosure activity – 0.12% of all homes. San Bernardino County ranked 10th-least stable among the 50 counties. Its $335,000 median puts it at No. 16 worst for affordability with 47.8% of pay needed to buy. The County ranked No. 26 for underwater properties – 7.7% of mortgaged homes, and No. 9 for foreclosure activity – 0.13% of homes.

One expert suggests that there are two keys to watch for how much the COVID crisis will affect the housing market:

1. Purchase contracts falling through: Cancellations are expected to occur in the next 30 days if mortgage pricing does not improve and if buyers get cold feet.
2. Possible construction changes: Will builders halt production on new homes to protect their workers or for other reasons? One survey of construction firms found that the COVID outbreak has had an immediate impact on the construction sector in Minnesota, delaying projects there and affecting workers and capital expenditures. For the time being, construction workers (and housing construction is specifically included) is listed as an essential service that can continue in California. That's a good sign, so long as work sites are configured to protect construction workers.

Will housing prices drop?

That's anyone's guess at the moment. California's low housing supply coupled with low interest rates and a still-solid pool of buyers who are qualified to purchase homes might keep prices from tanking. But if unemployment increases and impacts more sectors of the economy, shrinking the pool of buyers, things could change quickly.

Will working from home change the way homes work?

Telecommuting has been growing for years; since 2005 it has grown in the U.S. by 173%. According to the Census, working at home now exceeds transit usage nationwide. But still, in 2019 only about 5 million U.S. employees, or 3.6%, worked at home half or more of the time. We don't know exact numbers of the amount of people working from home as a result of the pandemic, but we know it is significant. Joel Kotkin recently stated that "Telecommuting will not work for everyone, but, thanks to COVID-19, it is now getting ready for its close-up." Yes, and there are reasons to believe that many will continue to do so even after the pandemic has subsided. A look at some numbers indicates that telecommuting could be at an explosion point:

- 43% of employees work remotely with some frequency.
- 56% of employees have a job where at least some of what they do could be done remotely.
- 62% of employees say they could work remotely.
- Telecommuting doesn't just benefit workers who don't want to commute to an office location. Employers benefit. A Stanford study of 250 people in 2017 showed that working from home boosted employee productivity by 13.5%, reduced sick days, and improved job satisfaction.
- It is estimated that if those in compatible jobs that wanted to work from home did so part-time, it would save $700 billion across the United States between businesses and employees.
- The savings in greenhouse gases would be the equivalent of taking the entire workforce of New York State off the road permanently.

With millions around the world now working from home, is this the beginning of the end of the traditional office? As noted above, numbers alone indicate that telecommuting, while spiking now, might remain at high levels in our post-virus world.

What might this mean for existing office spaces and for the design of new spaces in the future? Perhaps co-working environments may prove an effective compromise between traditional and remote working, where shared offices allow employees to work effectively with colleagues from anywhere, without suffering from the loneliness that is often highlighted as a remote working downside.

More specifically, to what extent might we see more effort devoted to the design of dedicated workspaces, perhaps for multiple people, into new homes?

Another pertinent question could be "Will the pandemic change the way government subsidizes low-income renters?" With "stay-at-home" orders in most U.S. states, housing has never been so essential in people's lives. However, the affordability housing crisis existing before the pandemic has left low-income renters very vulnerable. About 11 million low-income renter households devote more than half of their income to rent, leaving little to cover other life essentials. Currently, only 1 in 5 households that qualify for the largest federal subsidy program for low-income renters, the Housing Choice Voucher Program, receives the subsidy.